

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Williams Charter Township	County Bay
Fiscal Year End December 31, 2006	Opinion Date May 11, 2007	Date Audit Report Submitted to State June 13, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) N/A	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823		License Number 1101024055	
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	

**Williams Charter Township  
Bay County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2006**

Williams Charter Township  
Bay County, Michigan

December 31, 2006

BOARD OF TRUSTEES

Thomas Paige	Supervisor
Connie Hoverman	Treasurer
Amy Charney	Clerk
Paul Wasek	Trustee
James Plant	Trustee
Tom Putt	Trustee
Jerry Schrott	Trustee

Williams Charter Township

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Williams Charter Township  
Auburn, Michigan

We have audited the accompanying financial statements of the governmental activities, each governmental major fund, and the aggregate remaining fund information of Williams Charter Township, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Williams Charter Township's business-type activities or proprietary funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for business-type activities and proprietary funds, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Williams Charter Township, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where, applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Williams Charter Township's basic financial statements. The General Fund schedule of revenues and expenditures - construction code and schedule of governmental capital assets listed in the Table of Contents under other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements of Williams Charter Township, Michigan. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 11, 2007

Williams Charter Township  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

**Financial Reporting**

In 2004, Williams Charter Township, Michigan (the "Township") revised and improved its financial reporting document. These changes were a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of those new standards was to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended December 31, 2006:

- State shared revenue, the Township's second largest revenue source in the General Fund, essentially remained level in 2006 after a number of years of reduction. This major source of revenue continues to be unstable as the State of Michigan deals with changes in revenue collections and the formula used to disburse this money back to the municipalities. The Township is currently receiving \$60,775 less from state shared revenue than was received in 2001.
- The Township continues the practice of appropriating funding from the township's 4.4 mill tax levy toward public safety, local road improvement projects, and waterline extension projects. These appropriations include \$275,000 to fund local road improvement projects and \$169,000 to fund improving and extending the township's municipal waterline system.
- Total fund balances related to the Township's governmental funds decreased by \$211,935. Included in the total decrease in governmental fund balance is the decrease in General Fund fund balance of \$82,278 before prior period adjustments.
- The decrease in General Fund fund balance is due to the Township's decision to fully fund road improvement projects as programmed in the township's five year Road Improvement Plan, and to add aggregate to unpaved roads that had deteriorated due to frost damage. The Township expended \$272,276 for Special Road Projects in 2006, an increase of \$122,997 over 2005 expenditures.

**Using this Annual Report**

This discussion and analysis are intended to serve as an introduction to Williams Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The statement of net assets and the statement of activities provide information about the activities of Williams Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Williams Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

**Fund Financial Statements.** The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Williams Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Williams Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Williams Charter Township maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Garbage Collection Fund, Sewer Connection Fund, and Waterline Construction Fund, which are considered to be major funds. Data for the Building and Site Fund is reported as the nonmajor governmental fund.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Garbage Collection Fund to demonstrate compliance with their budgets.

**Proprietary Funds.** Williams Charter Township maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-23 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund and Garbage Collection Fund budgetary comparison schedules.

Williams Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

**The Township as a Whole**

The following table shows, in a condensed format, a comparative analysis of the net assets as of December 31, 2006 and December 31, 2005.

	Government Activities		Business-type Activities		Total Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>						
Current and Other Assets	\$ 2,711,171	\$ 3,035,901	\$ 1,312,343	\$ 1,384,719	\$ 4,023,514	\$ 4,420,620
Capital Assets	<u>1,987,820</u>	<u>1,705,298</u>	<u>5,078,680</u>	<u>5,301,461</u>	<u>7,066,500</u>	<u>6,986,881</u>
Total Assets	4,698,991	4,741,199	6,391,023	6,686,180	11,090,014	11,407,501
<b>Liabilities</b>						
Current Liabilities	1,310,846	1,409,885	413,907	506,549	1,724,753	1,916,434
Noncurrent Liabilities	<u>300,528</u>	<u>338,709</u>	<u>943,787</u>	<u>1,279,609</u>	<u>1,244,315</u>	<u>1,618,318</u>
Total Liabilities	1,611,374	1,748,594	1,357,694	1,786,158	2,969,068	3,534,752
<b>Net Assets</b>						
Invested capital assets, net of related debt	1,604,517	1,298,727	3,809,660	3,680,339	5,414,177	4,979,066
Restricted	-	-	22,000	22,000	22,000	22,000
Unrestricted	<u>1,483,100</u>	<u>1,693,878</u>	<u>1,201,669</u>	<u>1,197,683</u>	<u>2,684,769</u>	<u>2,891,561</u>
Total Net Assets	<u>\$3,087,617</u>	<u>\$ 2,992,605</u>	<u>\$ 5,033,329</u>	<u>\$ 4,900,022</u>	<u>\$ 8,120,946</u>	<u>\$ 7,892,627</u>

Net assets may serve over time as a useful indicator of a government's financial position. Williams Charter Township's assets exceeded liabilities by \$8,120,946 as of December 31, 2006. The most significant portion of the Township's net assets (over 66 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (less than 1 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,684,769 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The Township's net assets increased by \$228,319 during the current year as indicated on the following page.

Williams Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program Revenue						
Charges for Service	\$ 748,900	\$ 809,209	\$ 853,774	\$ 884,083	\$ 1,602,674	\$ 1,693,292
Capital grants & contributions	13,584	-	-	-	13,584	-
General Revenue						
Property Taxes	766,275	724,173	-	-	766,275	724,173
State Shared Revenue	309,208	310,530	-	-	309,208	310,530
Investment Earnings	118,221	55,289	57,187	36,482	175,408	91,771
Miscellaneous	20,001	5,231	-	-	20,001	5,231
Transfers	( 158,371 )	(156,392)	158,371	156,392	-0-	-0-
<b>Total Revenue</b>	<b>1,817,818</b>	<b>1,748,040</b>	<b>1,069,332</b>	<b>1,076,957</b>	<b>2,887,150</b>	<b>2,824,997</b>
<b>Program Expenses</b>						
General Government	484,695	604,648	-	-	484,695	604,648
Public Safety	394,498	367,457	-	-	394,498	367,457
Public Works	708,453	316,000	-	-	708,453	316,000
Community & Economic Dev.	75,196	79,681	-	-	75,196	79,681
Recreation & Culture	40,034	36,927	-	-	40,034	36,927
Sewer System	-	-	356,558	350,887	356,558	350,887
Water System	-	-	579,467	607,036	579,467	607,036
Interest on Long Term Debt	19,930	20,296	-	-	19,930	20,296
<b>Total Program Expenses</b>	<b>1,722,806</b>	<b>1,425,009</b>	<b>936,025</b>	<b>957,923</b>	<b>2,658,831</b>	<b>2,382,932</b>
<b>Change in Net Assets</b>	<b>\$ 95,012</b>	<b>\$ 323,031</b>	<b>\$ 133,307</b>	<b>\$ 119,034</b>	<b>\$ 228,319</b>	<b>\$ 442,065</b>

**Governmental Activities**

Governmental activities increased the Township's net assets by \$95,012 during fiscal year 2006. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$1,817,818. The Township's total revenue for governmental activities increased \$69,778. This increase was primarily related to property tax revenue from increased taxable values within the Township.

The Township incurred expenses of \$1,722,806 during 2006, an increase of approximately 21% from 2005. The majority of these expenses are associated with providing general government services, public safety, and public works including road improvement projects. The cost of road improvement projects continues to increase significantly due to increased material costs. The fluctuations between the fiscal years in the general government and public works functions were primarily caused by capital outlay items being recorded in 2005 and 2006.

**Business-type Activities**

Business-type activities increased the Township's net assets by \$133,307 during fiscal year 2006. The majority of the revenue of the business-type activities is generated through user charges.

Williams Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

**The Township's Funds**

**Governmental Funds.** The analysis of the Township's major funds begins on page 6, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Williams Charter Township as a whole. Williams Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2006 was the General Fund. The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$394,498 for the fiscal year. Public Safety services include the Township's share of the Auburn Williams Fire Department and two contracted deputies through the Bay County Sheriff Department that are supported entirely from the General Fund with no additional special millage.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System and the Water System at the end of the year amounted to \$494,324 and \$707,345, respectively. The Township Board continues to improve and expand the Water System as initially set forth for a period of 20 years in 1988. One year remains under this Water System expansion and improvement program.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund.

**Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the Township had approximately \$7,066,500 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within Williams Charter Township. These assets are not reported in Williams Charter Township's financial statements as capital assets because under Michigan law these roads and drains are the property of the Bay County Road and Drain Commissions, respectively.

**Long-term Debt.** The Township incurred additional long term debt during 2006 in the amount of \$219,281 for road improvement projects.

**Current Economic Factors**

Revenue sharing remains a significant budgetary concern as the State of Michigan continues to experience significant budget problems. Local township government continues to come under attack as the State looks for revenue to solve the State's budget shortfalls. Should constitutional Revenue Sharing be reduced or eliminated, Williams Charter Township would experience a significant loss of revenue which would necessitate a corresponding reduction of services or increase in local taxes to offset reductions in Revenue Sharing.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

## Williams Charter Township

## STATEMENT OF NET ASSETS

December 31, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,881,846	\$ 1,179,263	\$ 3,061,109
Restricted cash	10,270	-	10,270
Receivables	700,536	125,418	825,954
Due from other governmental units	101,665	-	101,665
Prepays	16,854	7,662	24,516
Total current assets	2,711,171	1,312,343	4,023,514
Noncurrent assets			
Capital assets not being depreciated	120,071	1,232	121,303
Capital assets, net	1,867,749	5,077,448	6,945,197
Total noncurrent assets	1,987,820	5,078,680	7,066,500
<b>TOTAL ASSETS</b>	<b>4,698,991</b>	<b>6,391,023</b>	<b>11,090,014</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	40,387	62,821	103,208
Accrued liabilities	3,984	297	4,281
Accrued interest payable	13,791	9,892	23,683
Deposits payable	10,270	-	10,270
Deferred revenue	1,159,639	-	1,159,639
Current portion of compensated absences	-	3,833	3,833
Current portion of long-term debt	82,775	337,064	419,839
Total current liabilities	1,310,846	413,907	1,724,753
Noncurrent liabilities			
Compensated absences	-	21,723	21,723
Noncurrent portion of long-term debt	300,528	922,064	1,222,592
Total noncurrent liabilities	300,528	943,787	1,244,315
<b>TOTAL LIABILITIES</b>	<b>1,611,374</b>	<b>1,357,694</b>	<b>2,969,068</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,604,517	3,809,660	5,414,177
Restricted	-	22,000	22,000
Unrestricted	1,483,100	1,201,669	2,684,769
<b>TOTAL NET ASSETS</b>	<b>\$ 3,087,617</b>	<b>\$ 5,033,329</b>	<b>\$ 8,120,946</b>

See accompanying notes to financial statements.

Williams Charter Township  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 484,695	\$ 126,862	\$ 13,584	\$ (344,249)	\$ -	\$ (344,249)
Public safety	394,498	6,379	-	(388,119)	-	(388,119)
Public works	708,453	526,787	-	(181,666)	-	(181,666)
Community and economic development	75,196	85,822	-	10,626	-	10,626
Recreation and cultural	40,034	3,050	-	(36,984)	-	(36,984)
Interest on long-term debt	19,930	-	-	(19,930)	-	(19,930)
<b>Total governmental activities</b>	<b>1,722,806</b>	<b>748,900</b>	<b>13,584</b>	<b>(960,322)</b>	<b>-0-</b>	<b>(960,322)</b>
<b>Business-type activities:</b>						
Sewer system	356,558	322,504	-	-	(34,054)	(34,054)
Water system	579,467	531,270	-	-	(48,197)	(48,197)
<b>Total business-type activities</b>	<b>936,025</b>	<b>853,774</b>	<b>-0-</b>	<b>-0-</b>	<b>(82,251)</b>	<b>(82,251)</b>
<b>Total government</b>	<b>\$ 2,658,831</b>	<b>\$ 1,602,674</b>	<b>\$ 13,584</b>	<b>(960,322)</b>	<b>(82,251)</b>	<b>(1,042,573)</b>
<b>General revenues:</b>						
Property taxes				766,275	-	766,275
State shared revenues				309,208	-	309,208
Investment earnings				118,221	57,187	175,408
Miscellaneous				20,001	-	20,001
Transfers				(158,371)	158,371	-0-
<b>Total general revenues and transfers</b>				<b>1,055,334</b>	<b>215,558</b>	<b>1,270,892</b>
<b>Change in net assets</b>				<b>95,012</b>	<b>133,307</b>	<b>228,319</b>
<b>Net assets, beginning of the year</b>				<b>2,992,605</b>	<b>4,900,022</b>	<b>7,892,627</b>
<b>Net assets, end of the year</b>				<b>\$ 3,087,617</b>	<b>\$ 5,033,329</b>	<b>\$ 8,120,946</b>

See accompanying notes to financial statements.

Williams Charter Township

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2006

	General	Special Revenue Garbage	Debt Sewer Connection
<b>ASSETS</b>			
Cash and cash equivalents	\$ 918,222	\$ 143,509	\$ 564,504
Restricted cash	10,270	-	-
Receivables			
Accounts	9,153	-	-
Taxes	499,231	127,284	-
Special assessments	-	-	27,000
Due from other governmental units	101,219	-	-
Prepays	16,854	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,554,949</b>	<b>\$ 270,793</b>	<b>\$ 591,504</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 18,973	\$ 18,256	\$ -
Accrued payroll	3,763	-	-
Deposits payable	10,270	-	-
Deferred revenue	832,884	217,977	38,101
<b>TOTAL LIABILITIES</b>	<b>865,890</b>	<b>236,233</b>	<b>38,101</b>
<b>FUND BALANCES</b>			
Undesignated, reported in:			
General fund	689,059	-	-
Special revenue funds	-	34,560	-
Debt service funds	-	-	553,403
<b>TOTAL FUND BALANCES</b>	<b>689,059</b>	<b>34,560</b>	<b>553,403</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,554,949</b>	<b>\$ 270,793</b>	<b>\$ 591,504</b>

See accompanying notes to financial statements.

<u>Service</u>		
<u>Waterline Construction</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ 242,303	\$ 13,308	\$ 1,881,846
-	-	10,270
-	-	9,153
-	-	626,515
37,868	-	64,868
-	446	101,665
-	-	16,854
<u>\$ 280,171</u>	<u>\$ 13,754</u>	<u>\$ 2,711,171</u>
\$ 1,965	\$ 1,193	\$ 40,387
-	221	3,984
-	-	10,270
70,677	-	1,159,639
72,642	1,414	1,214,280
-	-	689,059
-	12,340	46,900
207,529	-	760,932
207,529	12,340	1,496,891
<u>\$ 280,171</u>	<u>\$ 13,754</u>	<u>\$ 2,711,171</u>

Williams Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2006

**Total fund balance - governmental funds** \$ 1,496,891

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,753,127	
Accumulated depreciation is	<u>(765,307)</u>	
Capital assets, net		1,987,820

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Installment agreements	383,303	
Accrued interest payable	<u>13,791</u>	
		<u>(397,094)</u>

**Net assets of governmental activities** \$ 3,087,617

See accompanying notes to financial statements.

Williams Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	General	Special Revenue	Debt
		Garbage Collection	Sewer Connection
REVENUES			
Taxes	\$ 853,407	\$ -	\$ -
Licenses and permits	126,288	-	-
Intergovernmental	309,208	-	-
Charges for services	20,319	214,135	104,104
Interest and rents	72,629	6,899	24,782
Other	34,044	189	-
TOTAL REVENUES	1,415,895	221,223	128,886
EXPENDITURES			
Current			
General government	302,639	-	-
Public safety	394,498	-	-
Public works	367,475	215,930	-
Community and economic development	36,266	-	-
Recreation and cultural	33,408	-	-
Other	164,820	-	-
Debt service	214,881	-	-
Capital outlay	29,467	-	-
TOTAL EXPENDITURES	1,543,454	215,930	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(127,559)	5,293	128,886
OTHER FINANCING SOURCES (USES)			
Installment agreement	219,281	-	-
Transfers in	-	-	-
Transfers out	(174,000)	-	(94,796)
TOTAL OTHER FINANCING SOURCES (USES)	45,281	-0-	(94,796)
NET CHANGE IN FUND BALANCES	(82,278)	5,293	34,090
Fund balances, beginning of year	771,337	29,267	519,313
Fund balances, end of year	\$ 689,059	\$ 34,560	\$ 553,403

See accompanying notes to financial statements.

<u>Service</u>		
Waterline Construction	Nonmajor Governmental Fund	Total Governmental Funds
\$ -	\$ -	\$ 853,407
-	-	126,288
-	-	309,208
147,924	2,234	488,716
21,302	25,141	150,753
-	-	34,233
<u>169,226</u>	<u>27,375</u>	<u>1,962,605</u>
-	27,210	329,849
-	-	394,498
-	-	583,405
-	-	36,266
-	-	33,408
-	-	164,820
47,598	-	262,479
401,258	-	430,725
<u>448,856</u>	<u>27,210</u>	<u>2,235,450</u>
(279,630)	165	(272,845)
-	-	219,281
169,000	5,000	174,000
(63,575)	-	(332,371)
<u>105,425</u>	<u>5,000</u>	<u>60,910</u>
(174,205)	5,165	(211,935)
<u>381,734</u>	<u>7,175</u>	<u>1,708,826</u>
<u>\$ 207,529</u>	<u>\$ 12,340</u>	<u>\$ 1,496,891</u>

Williams Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

**Net change in fund balances - total governmental funds** \$ (211,935)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 348,727	
Depreciation	<u>(79,789)</u>	
Excess of capital outlay over depreciation expense		268,938

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contribution		13,584
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Additional installment agreement	(219,281)	
Principal retirement on installment purchase agreement	<u>242,549</u>	
		23,268

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable		<u>1,157</u>
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**Change in net assets of governmental activities** \$ 95,012

See accompanying notes to financial statements.

Williams Charter Township

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Sewer	Water	Total Proprietary Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 440,723	\$ 738,540	\$ 1,179,263
Accounts receivable - net of allowance	48,776	66,096	114,872
Interest receivable	3,929	6,617	10,546
Prepays	2,556	5,106	7,662
<b>Total current assets</b>	<b>495,984</b>	<b>816,359</b>	<b>1,312,343</b>
Noncurrent assets			
Capital assets not being depreciated	-	1,232	1,232
Capital assets, net of accumulated depreciation	2,895,845	2,181,603	5,077,448
<b>Total noncurrent assets</b>	<b>2,895,845</b>	<b>2,182,835</b>	<b>5,078,680</b>
<b>TOTAL ASSETS</b>	<b>3,391,829</b>	<b>2,999,194</b>	<b>6,391,023</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	1,607	61,214	62,821
Accrued payroll	53	244	297
Accrued interest payable	4,558	5,334	9,892
Current portion of compensated absences	-	3,833	3,833
Current portion of long-term debt	252,064	85,000	337,064
<b>Total current liabilities</b>	<b>258,282</b>	<b>155,625</b>	<b>413,907</b>
Noncurrent liabilities			
Compensated absences	-	21,723	21,723
Noncurrent portion of long-term debt	252,064	670,000	922,064
<b>Total noncurrent liabilities</b>	<b>252,064</b>	<b>691,723</b>	<b>943,787</b>
<b>TOTAL LIABILITIES</b>	<b>510,346</b>	<b>847,348</b>	<b>1,357,694</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,387,159	1,422,501	3,809,660
Restricted	-	22,000	22,000
Unrestricted	494,324	707,345	1,201,669
<b>TOTAL NET ASSETS</b>	<b>\$ 2,881,483</b>	<b>\$ 2,151,846</b>	<b>\$ 5,033,329</b>

See accompanying notes to financial statements.

Williams Charter Township

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Sewer	Water	Total Proprietary Funds
Gross service charges	\$ 312,593	\$ 508,205	\$ 820,798
Water costs	-	(256,279)	(256,279)
<b>GROSS PROFIT</b>	<b>312,593</b>	<b>251,926</b>	<b>564,519</b>
<b>OPERATING REVENUES</b>			
Service connections	-	21,825	21,825
Charges, fees, etc.	9,911	1,240	11,151
<b>TOTAL OPERATING REVENUES</b>	<b>9,911</b>	<b>23,065</b>	<b>32,976</b>
<b>OPERATING EXPENSES</b>			
Personal services	39,688	100,213	139,901
Utilities	1,564	10,495	12,059
Regional charges	142,916	-	142,916
Operations and maintenance	17,432	31,986	49,418
Administration	7,231	17,971	25,202
Fiscal and other charges	868	10,449	11,317
Depreciation	114,479	108,302	222,781
<b>TOTAL OPERATING EXPENSES</b>	<b>324,178</b>	<b>279,416</b>	<b>603,594</b>
<b>OPERATING (LOSS)</b>	<b>(1,674)</b>	<b>(4,425)</b>	<b>(6,099)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	22,468	34,719	57,187
Interest expense	(32,380)	(43,772)	(76,152)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(9,912)</b>	<b>(9,053)</b>	<b>(18,965)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	94,796	63,575	158,371
<b>CHANGE IN NET ASSETS</b>	<b>83,210</b>	<b>50,097</b>	<b>133,307</b>
Net assets, beginning of year	2,798,273	2,101,749	4,900,022
Net assets, end of year	<u>\$ 2,881,483</u>	<u>\$ 2,151,846</u>	<u>\$ 5,033,329</u>

See accompanying notes to financial statements.

Williams Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Sewer	Water	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 303,711	\$ 503,816	\$ 807,527
Cash paid to suppliers	(173,191)	(407,925)	(581,116)
Cash paid to employees for services	(39,705)	(98,701)	(138,406)
Other operating income	9,911	41,947	51,858
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>100,726</b>	<b>39,137</b>	<b>139,863</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid	(34,659)	(44,951)	(79,610)
Transfers in	94,796	63,575	158,371
Payments of borrowing	(252,064)	(96,580)	(348,644)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(191,927)</b>	<b>(77,956)</b>	<b>(269,883)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	21,139	32,096	53,235
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<b>(70,062)</b>	<b>(6,723)</b>	<b>(76,785)</b>
Cash and cash equivalents, beginning of year	510,785	745,263	1,256,048
Cash and cash equivalents, end of year	<u>\$ 440,723</u>	<u>\$ 738,540</u>	<u>\$ 1,179,263</u>
<b>Reconciliation of operating (loss) to net cash provided by operating activities</b>			
Operating (loss)	(1,674)	(4,425)	(6,099)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	114,479	108,302	222,781
(Increase) in receivables	(8,882)	(4,389)	(13,271)
(Increase) in prepaids	(2,125)	(3,943)	(6,068)
(Decrease) in accrued liabilities	(1,072)	(56,408)	(57,480)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 100,726</b>	<b>\$ 39,137</b>	<b>\$ 139,863</b>

See accompanying notes to financial statements.

Williams Charter Township

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	<u>Current Tax Collections</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 433,898</u>
<b>LIABILITIES</b>	
Due to other governmental units	<u>\$ 433,898</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Williams Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township was organized in 1855 and covers an area of approximately 34.5 square miles. The Township operates under an elected Board of Officials (7 members) and provides a variety of services to its approximately 4,500 residents, including law enforcement, community enrichment and development, and human services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Williams Charter Township (primary government). The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Williams Charter Township contain all the funds controlled by the Township Board.

These statements also include the water and sewer systems managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB Statement No. 34 requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and result of the operations for the calendar year 2006.

2. Jointly Governed Organizations

Williams Charter Township and the City of Auburn jointly govern the Auburn-Williams Fire Protection District. The funding formula requires that Williams Township provide 70% and the City of Auburn provide 30% of the operational and building costs. The Auburn-Williams Fire District has title to all property, plant and equipment. All of the financial operations of the Fire Protection District are recorded in the Auburn-Williams Fire Protection District.

The Township's appropriation to the Auburn-Williams Fire Protection District for the year ending December 31, 2006 was \$137,865.

3. Basis of Presentation

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Garbage Collection Fund is a special revenue fund that is used to record the activity of the Township's garbage collection activities.
- c. The Sewer Connection Fund is a debt service fund used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs for the sewer system.
- d. The Waterline Construction Fund is a debt service fund used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs for the waterline construction.
- e. The Sewer Fund accounts for the activities of providing sewer services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township.
- f. The Water Fund accounts for the activities of providing water services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township.

4. Measurement Focus

The government-wide, proprietary, and fiduciary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General and major Special Revenue Fund budgets shown as required supplementary information was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Supervisor submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.
- b. Two public hearings are conducted at township board meetings prior to the October 31 budget adoption to obtain taxpayer comments.

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Budgets and Budgetary Accounting - continued

- c. Prior to November 1, the budget is adopted through passage of a Board resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the statements of revenue, expenditures and changes in fund balances - budget and actual - general and special revenue funds.
- d. The Supervisor is authorized to transfer budgeted amounts between line items within an activity; however, the Township Board must approve any revisions that alter the total expenditures of any activity.
- e. Formal budgetary integration is employed as a management control devise during the year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts and certificates of deposit with an original maturity of less than 90 days from the date of purchase. The cash and cash equivalents are recorded at cost, which approximates market value.

8. Investments

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessments, and taxes levied that have not been collected.

10. Property Tax

Williams Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1, and a winter tax is levied on December 1. The tax levies are due September 15 and February 28, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Bay County Treasurer on March 1 of the year following the levy. The Bay County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2006 tax is levied and collectible on December 1, 2006, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$4.6136 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2006, the Township levied 4.400 mills for general governmental services. The total taxable value for the 2005 levy for the property within the Township was \$174,935,842.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

11. Capital Assets

Capital assets include land, land improvements, buildings and improvements, furniture and equipment, infrastructure, and water and sewer lines and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and improvements	15 - 40 years
Infrastructure	40 years
Furniture and equipment	5 - 7 years
Water and sewer lines	40 - 50 years

12. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

13. Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2006, but which are levied to finance year 2007 operations. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide and proprietary financial statements report deferred revenues that are unavailable to liquidate liabilities at the current period.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Interfund Transactions

During the course of normal operations the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Interfund Transactions - continued

The General Fund records administrative charges to various funds as revenue. All funds record these payments as operating expenditures/expenses.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association or government national mortgage association.

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2006, the carrying amount of the Township's deposit was \$2,325,914 and the bank balance was \$2,354,608.

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Deposits - continued

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of December 31, 2006, the Township accounts were insured by the FDIC for \$837,217 and the amount of \$1,517,391 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2006, the Township did not have any investments that would be subject to rating.

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business in accordance with Board approved policy.

The cash caption on the basic financial statements includes \$100 in imprest cash and \$1,179,263 in cash that is on deposit with the Bay County Water and Sewer Department. The cash on deposit with the Bay County Water and Sewer Department is part of the Bay County Water and Sewer Department pooled cash and investments. As a result, the insured and uninsured amounts related to the Township cannot be determined.

**NOTE C: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers.

Transfers to Waterline Construction Fund from:	
General Fund	<u>\$ 169,000</u>
Transfers to nonmajor governmental fund from:	
General Fund	<u>\$ 5,000</u>

Williams Charter Township  
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE C: INTERFUND TRANSFERS - CONTINUED**

Transfers to Sewer Fund from:	
Sewer Connection Fund	\$ <u>94,796</u>
Transfer to Water Fund from:	
Waterline Construction Fund	\$ <u>63,575</u>

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

**Governmental activities**

	Balance <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2006</u>
Capital assets not being depreciated				
Land	\$ 120,071	\$ -	\$ -	\$ 120,071
Capital assets being depreciated				
Infrastructure for sewer and waterline	1,265,837	339,249	-	1,605,086
Land improvements	225,446	-	-	225,446
Buildings	496,742	-	-	496,742
Building improvements	90,467	4,600	-	95,067
Equipment and furniture	<u>192,253</u>	<u>18,462</u>	-	<u>210,715</u>
Total capital assets being depreciated	2,270,745	362,311	-0-	2,633,056
Less accumulated depreciation for:				
Infrastructure for sewer and waterline	( 104,158 )	( 35,888 )	-	( 140,046 )
Land improvements	( 185,251 )	( 6,232 )	-	( 191,483 )
Buildings	( 234,520 )	( 12,419 )	-	( 246,939 )
Building improvements	( 27,152 )	( 5,753 )	-	( 32,905 )
Equipment and furniture	<u>( 134,437 )</u>	<u>( 19,497 )</u>	-	<u>( 153,934 )</u>
Total accumulated depreciation	<u>( 685,518 )</u>	<u>( 79,789 )</u>	-0-	<u>( 765,307 )</u>
Net capital assets being depreciated	<u>1,585,227</u>	<u>282,522</u>	-0-	<u>1,867,749</u>
Net capital assets - governmental activities	<u>\$ 1,705,298</u>	<u>\$ 282,522</u>	<u>\$ -0-</u>	<u>\$ 1,987,820</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 22,920
Public works	<u>56,869</u>
Total depreciation expense	<u>\$ 79,789</u>

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE D: CAPITAL ASSETS - CONTINUED**

**Business-type activities**

	Balance <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2006</u>
Capital assets not being depreciated				
Land	\$ 1,232	\$ -	\$ -	\$ 1,232
Capital assets being depreciated				
Sewer system	5,561,478	-	-	5,561,478
Water system	<u>4,379,901</u>	<u>-</u>	<u>-</u>	<u>4,379,901</u>
Total capital assets being depreciated	9,941,379	-0-	-0-	9,941,379
Less accumulated depreciation for:				
Sewer system	(2,551,154 )	( 114,479 )	-	(2,665,633 )
Water system	<u>(2,089,996 )</u>	<u>( 108,302 )</u>	<u>-</u>	<u>(2,198,298 )</u>
Total accumulated depreciation	<u>(4,641,150 )</u>	<u>( 222,781 )</u>	<u>-0-</u>	<u>(4,863,931 )</u>
Net capital assets being depreciated	<u>5,300,229</u>	<u>( 222,781 )</u>	<u>-0-</u>	<u>5,077,448</u>
Net capital assets - business-type activities	<u>\$ 5,301,461</u>	<u>\$( 222,781 )</u>	<u>\$ -0-</u>	<u>\$ 5,078,680</u>

**NOTE E: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2006:

	Balance <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2006</u>	Amount Due Within <u>One Year</u>
<b>Governmental activities</b>					
Bay County Road Commission Road improvement projects	\$ 49,165	\$ 219,281	\$ 214,881	\$ 53,565	\$ 53,565
Installment Purchase Agreement - Underground waterline extension	<u>357,406</u>	<u>-</u>	<u>27,668</u>	<u>329,738</u>	<u>29,210</u>
	406,571	219,281	242,549	383,303	82,775
<b>Business-type activities</b>					
Bay County water supply system	460,000	-	30,000	430,000	35,000
Frankenlust-Monitor-Portsmouth-Williams Bond	11,580	-	11,580	-0-	-
Water supply system extension	180,000	-	5,000	175,000	10,000
Bay County West Side Regional Sewage Disposal System	756,192	-	252,064	504,128	252,064
Williams-Monitor Bond	<u>200,000</u>	<u>-</u>	<u>50,000</u>	<u>150,000</u>	<u>50,000</u>
	<u>1,607,772</u>	<u>-0-</u>	<u>348,644</u>	<u>1,259,128</u>	<u>347,064</u>
	<u>\$ 2,014,343</u>	<u>\$ 219,281</u>	<u>\$ 591,193</u>	<u>\$ 1,642,431</u>	<u>\$ 429,839</u>

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE E: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

The Township has entered into a contract with the Bay County Road Commission to provide for the maintenance and improvements to various roads in the Township. Amounts are due through December 2007.	\$ 53,565
\$500,000 Installment Purchase Agreement, due in annual installments of \$47,598, including interest, through April 1, 2015, payable annually, for underground waterline extension.	329,738
\$920,000 Bay County Water Supply System Bonds, Series 1978, dated May 1, 1978, due in annual installments ranging from \$35,000 to \$40,000 through May 1, 2017, with interest at 5.0 percent, payable semi-annually.	430,000
\$305,000 1980 Bay County Water Supply System Revenue Bonds dated January 1, 1982, due in annual installments ranging from \$10,000 to \$20,000 through January 1, 2020, with interest at 5.0 percent, payable semi-annually.	175,000
\$28,000,000 Bay County West Side Regional Sewage Disposal System Bonds (Township share \$4,411,120), dated November 1, 1978, Township share due in annual installments of \$252,064 through May 1, 2008, with interest at 5.50 percent, payable semi-annually.	504,128
\$650,000 Limited Tax General Obligation Bay County Water Supply System Bonds, Series 1990, dated May 1, 1990, due in annual installments of \$50,000 on May 1, 2009, with interest of 7.30 percent, payable semi-annually.	<u>150,000</u>
	<u>\$ 1,642,431</u>

The annual requirements to pay the debt principal and interest outstanding for the bonds, contracts, and installment purchase agreements are as follows:

Year Ending December 31,	Road Commission Contract		Installment Purchase Agreement		Water and Sewer Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 53,565	\$ -	\$ 29,210	\$ 18,387	\$ 347,064	\$ 59,295	\$ 429,839	\$ 77,682
2008	-	-	30,793	16,805	347,064	39,532	377,857	56,337
2009	-	-	32,556	15,041	100,000	26,575	132,556	41,616
2010	-	-	34,371	13,226	50,000	22,250	84,371	35,476
2011	-	-	36,288	11,309	50,000	19,750	86,288	31,059
2012-2016	-	-	166,520	23,872	270,000	59,750	436,520	83,622
2017-2021	-	-	-	-	95,000	6,750	95,000	6,750
	<u>\$ 53,565</u>	<u>\$ -0-</u>	<u>\$ 329,738</u>	<u>\$ 98,640</u>	<u>\$ 1,259,128</u>	<u>\$ 233,902</u>	<u>\$ 1,642,431</u>	<u>\$ 332,542</u>

**NOTE F: RETIREMENT PLAN**

The Township has a single employer defined contribution pension plan administered by John Hancock, covering substantially all full and part-time employees except volunteer firemen and seasonal employees. The Township contributes 100% of the premiums for each participant at a rate of 15% of gross wages. Total payroll for the year ending December 31, 2006 was approximately \$322,810. The Township's policy is to fund pension costs on an annual basis. Employer contributions for the year were approximately \$45,380. Benefits attributable to employer contributions are 100% vested. The pension, as established, does not recognize prior service costs as it is based exclusively on current compensation earned by participants.

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE G: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

**NOTE H: ECONOMIC DEPENDENCY**

Approximately 32% of the property tax revenue is generated by property taxes levied on a single organization, Dow Corning. Any reductions in this revenue could have a significant impact on the Williams Charter Township's operations.

**NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In the budgetary comparison schedules shown as required supplementary information to the financial statements, the Township's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provide that a local governmental unit not incur expenditures in excess of the amounts appropriated.

During the year ended December 31, 2006, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Election	\$ 8,200	\$ 8,351	\$ 151
Public Works			
Department of Public Works	167,980	367,475	199,495
Other			
Insurance and bonds	40,000	40,005	5

The variance noted in the public works function was caused by an audit adjustment after the end of the fiscal year.

## **REQUIRED SUPPLEMENTARY INFORMATION**



## Williams Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Current property taxes	\$ 765,000	\$ 765,000	\$ 766,275	\$ 1,275
Administration charges	78,400	78,400	85,500	7,100
Penalties and interest	500	500	1,632	1,132
Total taxes	843,900	843,900	853,407	9,507
Licenses and permits				
Building and zoning permits	84,000	84,000	81,397	(2,603)
Charter cable fees	29,000	29,000	34,978	5,978
State liquor inspection	800	800	941	141
Fire pit permits	100	100	230	130
Right of way fees	7,500	7,500	8,742	1,242
Total licenses and permits	121,400	121,400	126,288	4,888
Intergovernmental				
State shared revenue	310,000	310,000	309,208	(792)
Charges for services				
Planning commission	3,000	3,000	3,425	425
Mobile home fees	1,000	1,000	1,011	11
Fire department custodial fees	2,000	2,000	1,579	(421)
Passport fees	2,000	2,000	6,030	4,030
Land division fee	500	500	1,000	500
Grave opening and lot sales	4,500	4,500	5,213	713
Bulk water sales	1,500	1,500	1,891	391
Other	200	200	170	(30)
Total charges for services	14,700	14,700	20,319	5,619
Interest and rents				
Interest	20,000	20,000	64,779	44,779
Rental fees	7,000	7,000	7,850	850
Total interest and rents	27,000	27,000	72,629	45,629

Williams Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES - CONTINUED</b>				
Other				
Reimbursements	\$ 2,000	\$ 2,000	\$ 19,459	\$ 17,459
Subdivision retention	3,000	3,000	4,034	1,034
Street lighting assessments	10,500	10,500	10,551	51
Total other	15,500	15,500	34,044	18,544
<b>TOTAL REVENUES</b>	<b>1,332,500</b>	<b>1,332,500</b>	<b>1,415,895</b>	<b>83,395</b>
<b>EXPENDITURES</b>				
General government				
Township board	76,500	76,500	74,621	1,879
Supervisor	39,350	39,350	38,570	780
Clerk	57,350	57,350	55,581	1,769
Elections	7,000	8,200	8,351	(151)
Assessor	49,850	49,850	46,652	3,198
Treasurer	59,550	59,550	57,521	2,029
Board of Review	1,400	1,400	1,072	328
Cemetery	9,350	9,350	6,871	2,479
Building and grounds	3,000	3,000	2,800	200
Financial and tax administration	12,000	12,000	10,600	1,400
Total general government	315,350	316,550	302,639	13,911
Public safety				
Police department	155,000	167,000	166,008	992
Fire department	141,100	141,100	139,515	1,585
Inspection department	88,950	97,450	88,975	8,475
Total public safety	385,050	405,550	394,498	11,052
Public works				
Department of public works	140,380	167,980	367,475	(199,495)
Community and economic development				
Building and zoning	7,200	7,200	4,155	3,045
Planning department	42,300	42,300	31,225	11,075
Other	4,000	4,000	886	3,114
Total community and economic development	53,500	53,500	36,266	17,234
Recreation and cultural				
Parks and recreation	32,300	37,300	33,408	3,892

## Williams Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Other				
Insurance and bonds	\$ 40,000	\$ 40,000	\$ 40,005	\$ (5)
Risk management	1,500	1,500	792	708
FICA expense	26,000	26,000	24,696	1,304
Dental insurance	8,500	8,500	5,317	3,183
Medical insurance	47,000	50,000	45,870	4,130
Retirement	46,000	49,500	48,140	1,360
Total other	169,000	175,500	164,820	10,680
Debt service	169,700	215,000	214,881	119
Capital outlay	105,000	105,000	29,467	75,533
TOTAL EXPENDITURES	1,370,280	1,476,380	1,543,454	(67,074)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(37,780)	(143,880)	(127,559)	16,321
OTHER FINANCING SOURCES (USES)				
Installment agreement	-	-	219,281	219,281
Transfers out	(179,000)	(179,000)	(174,000)	5,000
Total other financing sources (uses)	(179,000)	(179,000)	45,281	224,281
NET CHANGE IN FUND BALANCE	(216,780)	(322,880)	(82,278)	240,602
Fund balance, beginning of year	771,337	771,337	771,337	-0-
Fund balance, end of year	\$ 554,557	\$ 448,457	\$ 689,059	\$ 240,602

Williams Charter Township

Garbage Collection Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 214,400	\$ 214,400	\$ 214,135	\$ (265)
Interest and rents	1,500	1,500	6,899	5,399
Other	100	100	189	89
TOTAL REVENUES	216,000	216,000	221,223	5,223
EXPENDITURES				
Current				
Public works	261,000	261,000	215,930	45,070
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(45,000)	(45,000)	5,293	50,293
Fund balance, beginning of year	29,267	29,267	29,267	-0-
Fund balance, end of year	<u>\$ (15,733)</u>	<u>\$ (15,733)</u>	<u>\$ 34,560</u>	<u>\$ 50,293</u>

**OTHER SUPPLEMENTARY INFORMATION**

Williams Charter Township

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

Year Ended December 31, 2006

REVENUES

Licenses and permits	
Building and zoning permits	\$ 81,397

EXPENDITURES

Public safety	
Inspection department	88,975
Community and economic development	
Building and zoning	4,155
Planning department	<u>31,225</u>

Total construction code expenditures	<u>124,355</u>
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Excess of revenues (under) expenditures	<u><u>\$ (42,958)</u></u>
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Williams Charter Township

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS

Year Ended December 31, 2006

	Date Acquired	Cost	Useful Life	Current Year Depreciation	Accumulated Depreciation	Net Book Value
<b>Land</b>						
Township hall land	1968	\$ 43,319		\$ -	-	\$ 43,319
Park land						
Land	1983	35,000		-	-	35,000
Additional purchases (Beane property 1988, 1989, 1990, & 1991)	Various	17,406		-	-	17,406
Additional purchase (Lauer property)	1986	12,596		-	-	12,596
Water tower land	2002	11,750		-	-	11,750
		120,071		-0-	-0-	120,071
<b>Land Improvements</b>						
Front parking lot	2002	30,960	15	2,064	10,320	20,640
Park - land improvements						
Fencing	1987	7,942	15	-	7,942	-0-
Park improvements	1987	110,366	15	-	110,366	-0-
Park improvements	1994	55,723	15	3,715	48,294	7,429
Park improvements	1988	13,655	15	-	13,655	-0-
Rear parking lot drainage improvement	4/15/2005	6,800	15	453	906	5,894
		225,446		6,232	191,483	33,963
<b>Buildings</b>						
Township hall	1968	202,768	40	5,069	192,629	10,139
DPW building	1990	63,862	40	1,597	25,546	38,316
Water tower	2002	230,112	40	5,753	28,764	201,348
		496,742		12,419	246,939	249,803

Williams Charter Township

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS - CONTINUED

Year Ended December 31, 2006

	Date Acquired	Cost	Useful Life	Current Year Depreciation	Accumulated Depreciation	Net Book Value
<b>Building Improvements</b>						
DPW addition	2001	\$ 26,227	15	\$ 1,748	\$ 10,490	\$ 15,737
Zoning office (construction and carpet costs)	2001	6,510	15	434	2,604	3,906
Sign	2001	6,290	15	419	2,515	3,775
Carpet	2002	5,667	15	378	1,889	3,778
Treasurer's office electrical	2002	11,000	15	733	3,666	7,334
Ceiling tile replacement	2002	6,000	15	400	2,000	4,000
Treasurer's office / lobby office construction	11/1/2002	8,278	15	552	2,300	5,978
Cemetery improvements	Various	5,032	15	-	5,032	-0-
Window/door installation	6/29/2004	8,663	15	578	1,445	7,218
Rear parking lot drainage improvement / catch basin	6/27/2005	6,800	15	453	906	5,894
Eave troughs on Township hall and office	8/6/2006	4,600	40	58	58	4,542
		95,067		5,753	32,905	62,162
<b>Furniture and Equipment</b>						
DPW equipment						
Bandit model 150 chipper	6/9/1999	14,000	7	833	14,000	-0-
Kubota B2910 tractor w/ loader and backhoe	7/11/2000	23,000	7	3,286	21,358	1,642
Kubota F2100E-1 tractor w/ RC-72B front mount mower	9/12/1995	10,995	7	-	10,995	-0-
Kubota F2100E tractor w/ RC72-F20 front mount mower	9/8/1993	9,300	7	-	9,300	-0-
1995 GMC Topkick w/ 14' flatbed and hoist	4/1/2001	16,000	7	2,286	13,143	2,857
Hydralift trailer with brake	2005	4,165	7	595	1,190	2,975
2006 Ford F250 4X4 w/ bed liner, nerf bars, & cab protector	11/1/2005	23,398	5	4,680	7,020	16,378
2005 John Deere GX255 tractor and moving deck	5/11/2006	4,878	12	203	203	4,675
		105,736		11,883	77,209	28,527

## SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS - CONTINUED

Year Ended December 31, 2006

	Date Acquired	Cost	Useful Life	Current Year Depreciation	Accumulated Depreciation	Net Book Value
Furniture and Equipment - continued						
General government furniture and equipment						
Zoning office	2001	\$ 6,650	7	\$ 950	\$ 5,700	\$ 950
Sharp model AR-350N copier/scanner/fax/network printer	4/1/2003	10,314	7	1,473	5,525	4,789
Treasurer's office	2002	9,984	7	1,426	7,131	2,853
Board room	2002	4,800	7	686	3,430	1,370
Supervisor's office	2003	5,600	7	800	3,200	2,400
Clerk's office	2003	8,027	7	1,147	4,587	3,440
Ballot marking equipment	6/21/2006	13,584	6	1,132	1,132	12,452
		58,959		7,614	30,705	28,254
Park equipment	1995	46,020	7	-	46,020	-0-
		210,715		19,497	153,934	56,781
Infrastructure						
Waterline project - Townline Road from 8 Mile Road	1/26/2000	41,190	40	1,030	7,209	33,981
Waterline project - Garfield Road	6/21/2001	533,109	40	13,328	73,303	459,806
Sanitary Sewer - Flajole Road	9/10/2002	168,541	40	4,214	18,260	150,281
Waterline project - Nine Mile	10/25/2002	112,500	40	2,813	11,720	100,780
Waterline project - Garfield Road	3/15/2004	297,615	40	7,440	21,080	276,535
Waterline project - Hotchkiss Road and Salzburg Road	11/18/2005	112,882	40	2,822	4,233	108,649
Waterline project - Garfield Road	9/13/2006	127,257	40	1,591	1,591	125,666
Waterline project - Wheeler Road	9/27/2006	120,317	40	1,504	1,504	118,813
Waterline project - 8 Fire Hydrants	10/23/2006	25,200	40	315	315	24,885
Waterline project - Townline Road	12/8/2006	66,475	40	831	831	65,644
		1,605,086		35,888	140,046	1,465,040
TOTAL		\$ 2,753,127		\$ 79,789	\$ 765,307	\$ 1,987,820

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Trustees  
Williams Charter Township  
Auburn, Michigan

We have audited the accompanying financial statements of the governmental activities, each governmental major fund, and the aggregate remaining fund information of Williams Charter Township, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Williams Charter Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiency that we consider be a significant deficiency in internal control over financial reporting:

RECORDING OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

During the course of our audit, we perform a search for unrecorded receivable and payable amounts. As a result of that search, journal entries were suggested to the Township's management for entry into the general ledger. In many instances, the suggested receivable and payable amounts would be considered material to the Township's financial statements.

Responsibility for the fair presentation of the Township's financial statements, including the amounts and disclosure within the financial statements, rests with the Township's management. The Township should establish sufficient internal controls to assure that the financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles. The auditor cannot be part of the Township's internal control system.

We recommend the Township make adjustments to accounts receivable and accounts payable amounts by fund as part of their year-end closing procedures.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the significant deficiency stated above to be material weaknesses.

This report is intended solely for the information and use of management and Members of the Board of Trustees of Williams Charter Township, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 11, 2007